

Identification of the Area

Name or Designation: **Area 47: Vashon & Maury Islands**

Boundaries:

Area 47 encompasses both Vashon & Maury Islands, which are located within the Puget Sound, to the west of Seattle. The islands are connected by an isthmus between Tramp and Quartermaster Harbors.

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

Area 47 -Vashon & Maury Islands inhabit an area approximately 12 miles long and 8 miles wide, at the widest point. The area covers roughly 37 square miles or 23,680 acres, and houses a population of approximately 11,000 persons. The islands are accessible only via boat or private airplane. The Washington State Ferry system provides public access to the islands via four routes. The two ferry docks located in King County with transportation service to Vashon Island are within the Seattle city limits. A passenger only ferry located at Pier 50 services Seattle's central business district and the Vashon Terminal on the northern portion of the island. An auto/passenger boat route travels from West Seattle's Fauntleroy Ferry Terminal to the Vashon Terminal. The northern tip of Vashon Island is due west of the Fauntleroy Ferry Terminal. Additional access to the Vashon Terminal is available from Southworth, on the Kitsap County Peninsula. A ferry from Point Defiance in Tacoma, which is located within Pierce County, connects to the Tahlequah Terminal in the southernmost portion of Maury Island. Private boats have access to the islands through public and private docks. The Vashon Municipal Airport is a small airport in the northern portion of Vashon Island with a grass landing strip and a medi-vac heliport.

Residential land use consists primarily of detached single family homes generally situated on five and ten acre parcels. Apartment buildings, classified as properties containing over 4 units, number approximately fourteen properties with one hundred fourteen units. The apartment buildings are valued by the Apartment specialty section within the Commercial Business Division of the King County Department of Assessments. A small number of additional dwelling units are located in mixed use commercial properties.

The principal business district on the island is Vashon Center located approximately three miles south of the Vashon ferry landing, on Vashon Highway between about Southwest 168th Street and Southwest 204th Street (portions of neighborhoods 10, 20 & 30). This area consists of a community shopping center, retail strip centers, and free standing retail buildings, as well as general office space. A smaller business district, known as Burton, is located about two miles to the south on the north side of Quartermaster Harbor.

Historically, development activity on Vashon & Maury Islands has maintained a slower pace in comparison to King County as a whole, which can be attributed to some of the following rationale. The islands maintain a degree of isolation from the mainland due to the lack of a bridge to provide easier accessibility. A potential to increase development activity has in many cases received minimal support from many island residents, due to the belief a dramatic change in the rural character of the island may result. Development is also impacted from the limited fresh water supply. The full impact of the water shortage is impossible to quantify as no centralized water authority exists; rather, the island has several independent purveyors. The gravity of the water shortage must be taken into consideration in determining the market value of land within the water district. Landowners in the town of Vashon have documented substantiation of a building moratorium with Resolution 778, which resulted from the inability to connect to fresh water supplies. According to Water District 19, they have a waiting list approaching 500, and are no longer taking names as no one on the waiting list will probably be accommodated in the foreseeable future.

The above factors affect the valuation of Vashon properties, particularly in the Vashon business district. Even though isolation of the islands shield some of the development pressures experienced in other parts of King County, the demand that does exist for improved and unimproved commercial properties on Vashon confronts a highly inelastic supply. Thus, existing developed commercial space and the land beneath the improvements may prove more valuable than they would be without the constraints that limit new development.

Area 47-10

Area 47-10 is the northern half of the downtown core, with the southern boundary located at Southwest Bank Road. The neighborhood includes all of sections of plat maps 30-23-03 and 29-23-03. There are approximately 42 commercial improved properties located within this neighborhood. Most of the commercial real estate activity is seen in neighborhoods 10 and 20. Area 47-10 was physically inspected during the 2001 revalue.

Area 47-20

Area 47-20 is the southern half of the downtown core, with the northern boundary located at Southwest Bank Road. The area includes all of sections of plat maps 31-23-03 and 32-23-03. There are approximately 56 improved commercial properties located within this neighborhood. A public storage facility was constructed in 2004. Area 47-20 was physically inspected during the 2001 revalue.

Area 47-30

Area 47-30 is directly south of economic neighborhoods 10 and 20, and includes commercial parcels in all the plat map sections of 5, 6, 7, and 8-22-03. The north central portion of area includes a few CB zoned parcels. There are approximately 31 improved commercial properties in this area. Area 47-30 was physically inspected during the 2002 revalue. The 2002 inspections included the commercial properties south to approximately Southwest Quartermaster Drive.

Area 47-40

Area 47-40 is comprised of the commercial parcels which lay in the northern portion of Vashon Island found in all plat map sections with township 23, but not in the economic areas of 10, 20, or 30, and also in all plat map sections up to 12 with township 22. This area has a configuration similar to that of a horseshoe, with the outer edge extending along the northern, eastern and western island boundaries of Vashon Island. There are approximately 22 improved commercial parcels in this economic area. Area 47-40 was physically inspected during the 2003 revalue.

Area 47-50

Area 47-50 contains the commercial parcels lying in the southern part of Vashon Island and Maury Island. The area is contained within plat map sections with township 22, and ranges 2 and 3, as well as three parcels contained in map SE 2-21-2. The smaller towns of Burton and Dockton are located within this area. A conglomeration of properties with a variety of uses ranging from volunteer fire stations, water towers, community halls, parks, the Tahlequah Ferry Terminal, Glacier NW sand and gravel quarry, to several television transmitters are sprinkled throughout this area. There are approximately 31 improved commercial parcels in this economic area. Area 47-50 was physically inspected during the 2003 revalue.

Preliminary Ratio Analysis

A Preliminary Ratio Study was completed just prior to the application of the 2005 recommended values. This study benchmarks the current assessment level using 2004 posted values. The study showed a Weighted Mean Assessment level of 96.5% with a COD of 6.69%, a COV of 8.74% and a PRD of .97. The study was also repeated after application of the 2005 recommended values. The new COD and COV indicate the uniformity levels at 4.39% and 5.63% respectively. The Weighted Mean Ratio increased to 1.006% and the PRD increased to .98. It should be noted there were only 6 improved for a population of 182 improved properties, too few sales for a solid analysis of assessment level, uniformity, or equity. Therefore, these results are not considered to provide any statistical significance.

Scope of Data

Land Value Data:

Vacant commercial land sales transactions during the time period ranging from January, 2002 to December, 2004 were researched for the 2005 Assessment roll. Six sales, occurring between March, 2002 and August, 2004 were given primary consideration in the valuation of commercial zoned land parcels.

Neighborhoods 47-40 and 47-50 are the outlying areas of Vashon and all of Maury Island. With the exception of a limited number of parcels in Burton and Dockton zoned NB, Neighborhood Business, and in Maury Island, zoned M, Mining, the majority of the parcels have residential zoning designations, RA-2.5, RA-5, and RA-10. Uses on the residentially zoned parcels encompass churches, fire stations, parks, and water district land, as well as other pre-existing commercial uses. The assessor has utilized the 2002 Land Model developed by the Residential Division of King County Department of Assessments to value the residentially zoned parcels assigned to the Commercial Division of King County Department of Assessments. The analysis includes Upland and Waterfront Land Schedules, which consider both lot size and neighborhood criteria with corresponding adjustments for positive and negative impacts. One hundred and forty seven vacant land sales occurring between January, 1999 and February, 2001, which have been verified as market sales, provide the basis of the analysis. (Refer to the 2002 Area Residential Area Report for Vashon Island – Area 100 for additional information).

Improved Parcel Total Value Data:

Only six improved sales from May, 2002 to October, 2004 were available to establish a market relationship for similar properties that were not sold. Sales information was obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information was analyzed and investigated by the appraiser in the process of revaluation. All sales were verified, when possible, by contacting the purchaser, seller, or realtors involved in the transaction. Characteristic data was verified, when possible, for the sales. Due to time constraints, interior inspections were limited. Sales are located in the “Sales Used” and “Sales Not Used” sections of this report. Additional information resides in the Assessor’s procedure manual located in the Public Information area of the King County Administration Building.

Land Value

Land Sales, Analysis, Conclusions

The valuation of land in the Vashon business district, consisting of neighborhoods 10, 20, and the northern portion of 30, is based upon land sales with similar zoning designations, such as CB, Community Business, and R1-12, Urban Residential. The business district was physically inspected for the 2001 revalue. For the 2005 revalue (2006 Assessment Roll), the Assessor has increased the land values primarily within the central business district of Vashon Island.

The issue of water rights continues to play a significant role in the valuation process, with resulting negative impact for parcels without water rights. King County Water District 19, located at 17630 100th Avenue Southwest, maintains a list of property owners who retain water rights. The Assessor has made an effort to identify which parcels have been allocated water units. Due to the limited market activity, appraisal judgment was utilized to arrive at the rate of discount. Under the current moratorium, parcels without water rights are precluded from development (see Resolution No. 778 as adopted at a regular meeting of the Board of Commissioners of Water District No. 19 held on February 13, 1996.) The King County water District is no longer taking applications to be placed on the existing waiting list which allows land owners to request to purchase unused water units that have been sold back to the Water District from other property owners. At the present time, the waiting list is closed and the total water units within the island are static. Development activity is generally more contingent on the ability to support a desired use with quantity of water units held by an individual parcel rather than strictly the zoning parameters of the parcel. Water units are parcel specific; however, transfer of units between parcels with contiguous ownership is permissible in the event multiple units are owned. One water unit allows parcel development use not exceeding an average water usage of 800 gallons/day (600 gallons/day for multi-family housing.)

The following table is an overview of the land valuation schedule for the Vashon business district, which encompasses neighborhoods 10, 20, and the northern portion of 30.

Land Valuation Schedule of the Business District

<u>Neighborhood</u>	<u>Zone</u>	<u>Price</u>	<u>unit of measure</u>
10,20,30	CB,CBP	\$4 - \$25/SF	square foot
	R4 - 12	\$6 - \$7/SF	Single site < 24,000 SF
	R4 - 12	\$2 - \$5/SF	Single site > 24,000 SF
Range of unit values reflect lot size and proximity to the "heart" of the downtown core, the intersection of Vashon Highway SW and SW Bank Road. The highest value per square feet closest to this intersection.			

The parcels located in Neighborhoods 40 and 50 were physically inspected for the 2003 revalue. The zoning is primarily residential, with the exception of Neighborhood Business zoning in Burton, and Dockton. Residential zoning includes parcels with RA-2.5, RA-5, and RA-10 designations. The residentially zoned properties under the commercial appraisal jurisdiction had fallen significantly below the assessment levels of the neighboring residential properties with similar zoning. As previously discussed, primary market data available in the 2002 Residential Land Valuation Schedule was utilized in the land valuation analysis for properties with a commercial use on a residentially zoned parcels (refer to the 2002 Area Residential Area Report for Vashon Island – Area 100.) The highest and best use of residential zoned land with a commercial use within these neighborhoods, if vacant, would most likely be residential. Assessment rates for land have remained fairly static for the 2005 revalue in Neighborhoods 40 and 50.

Approximately, two hundred ninety non-specialty parcels on Vashon & Maury Islands fall under the jurisdiction of the Commercial Division of the Department of Assessments. The 2004 assessed land value was \$50,050,200 and the 2005 recommended assessed land value is \$58,327,000. The 2005 assessed land values have experienced an overall increase of 16.54% in comparison to the 2004 assessed values.

Grids of vacant sales used, as well as sales considered non-reflective of market are noted within the following charts.

Improved Parcel Total Values:

Sales comparison approach model description

The limited number of sales prevented the development of a statistically significant model for adequate sales comparison.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. In most instances, cost estimates were considered value indicators for exempt properties, such as schools and churches, and new construction projects. The cost approach was also occasionally utilized in the valuation of non-exempt property, especially in circumstances where insufficient market rent data is available to apply the income approach to value.

Cost calibration

The Marshall & Swift cost modeling system built in to the Real Property Application is calibrated to the region and the Seattle area.

Income capitalization approach model description

Income parameters were derived from the market place through the real estate sales and the sales verification process, as well as market surveys of rents within the area. Income tables were formulated during the 2005 revalue for the main business district of Vashon, neighborhoods 10 and 20, and individually applied to selected properties in the northern portion of neighborhood 30. The application of the tables was based on the different uses of the income-producing properties in these neighborhoods.

The chart below lists the income parameters used in the process of developing the 2005 income approach to valuation.

**Neighborhoods 10 & 20 & North Central portion of
Neighborhood 30 (typically zoned CBP)**

Office	range \$6 to \$20
Medical/Dental Office	range \$8 to \$18.75
Retail	range \$3.75 to \$12.30
Restaurants (table service)	range \$9 to \$16.62
Florist	range \$11 to \$12
Barber Shop/Salon	range \$9 to \$11
Bar / Tavern	range \$7 to \$16.20
Supermarket	range \$5.50 to \$8
Service Garages	range \$4.50 to \$8.75
Mini-Mart (no gas)	range \$6.25 to \$15.50
Medical Office	range \$8 to \$18.75
Storage (various)	range \$1.75 to \$4.50
Finished Basement	range \$2 to \$6
Unfinished Bsmt	range \$1.15 to \$3.20
Display/Off Mezz	range \$1 to \$5.50
Storage Mezzanine	range \$0.60 to \$2.40
Veterinary Hospitals	range \$6 to \$16

In neighborhoods 10, 20 and the north portion of 30, the following parameters outline vacancy and credit loss, triple net expenses, and capitalization rates used in the income tables to provide the basis for the income value estimate calculations.

1) Vacancy and Credit Loss	5%
2) Operating Expenses	5-10%
3) Cap Rate	9.50-10.5%

In the outlying neighborhoods, values for the improved properties were selected using the income approach or the cost approach, with partial weight given to the four improved sales in the area. In the community of Burton two sales have occurred, including a mixed use building with retail and three dwelling units, and the marina. In the Dockton area, a renovated office building had sold. Most recently, a communication building sold in neighborhood 40. Typically, values by the income approach were derived from using the income tables within neighborhoods 10 and 20, then discounting the total for locations outside of the Vashon business district.

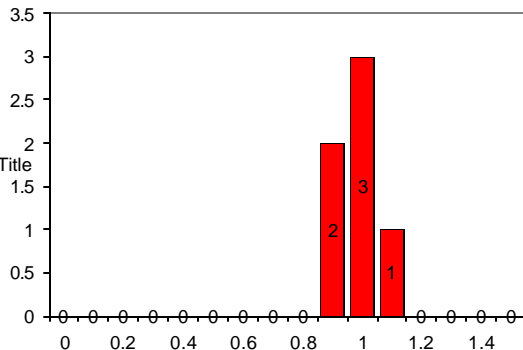
Income approach calibration

The models were calibrated after setting base rents by utilizing adjustments based on effective age, quality of construction, size, and location.

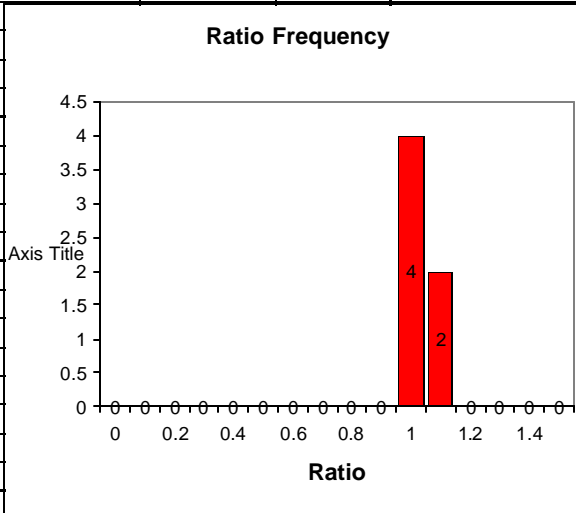
Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

All parcels were individually reviewed for correctness of the model application before final value selection. All factors analyzed in the process of establishing value utilizing the model were subject to adjustment by the appraiser. The market rents established in the income model were used as a guide in determining the market rental rates for assessment purposes. Adjustment parameters were stratified based on construction quality, effective age, size, and location. The market rental rates applied may vary somewhat, but fall within an acceptable range of deviation of the established guidelines. The Senior Appraiser, prior to posting, reviewed the final selected values.

Improvement Ratio Study (Before Revalue) 2004 Assessments

Central Crew	Lien Date:	Date:	Sales Dates:
Central Crew	1/1/2004	1/31/2005	5/30/02 - 10/13/04
Area	Appr ID:	Prop Type:	Trend used?: Y / N
47	MLEC	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	6	<div>Ratio Frequency</div> 	
Mean Assessed Value	463,500		
Mean Sales Price	480,300		
Standard Deviation AV	306,866		
Standard Deviation SP	270,222		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.932	<div>These figures reflect measurements <u>before</u> posting new values. There are too few sales in this analysis to provide statistically significant results.</div>	
Median Ratio	0.940		
Weighted Mean Ratio	0.965		
UNIFORMITY			
Lowest ratio	0.8426		
Highest ratio:	1.0570		
Coefficient of Dispersion	6.69%		
Standard Deviation	0.0814		
Coefficient of Variation	8.74%		
Price-related Differential	0.97		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.843		
Upper limit	1.057		
95% Confidence: Mean			
Lower limit	0.866		
Upper limit	0.997		
SAMPLE SIZE EVALUATION			
N (population size)	187		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0814		
Recommended minimum:	10		
Actual sample size:	6		
Conclusion:	Uh-oh		
NORMALITY			
Binomial Test			
# ratios below mean:	3		
# ratios above mean:	3		
z:	-0.40824829		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Improvement Ratio Study (After Revalue) 2005 Assessments

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
Central Crew	1/1/2005	2/23/2005	5/30/02 - 10/13/04		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
47	MLEC	Improvement	N		
SAMPLE STATISTICS					
Sample size (n)	6				
Mean Assessed Value	483,200				
Mean Sales Price	480,300				
Standard Deviation AV	299,575				
Standard Deviation SP	270,222				
ASSESSMENT LEVEL					
Arithmetic mean ratio	0.985	These figures reflect measurements after posting new values. There are too few sales to provide statistically significant results.			
Median Ratio	0.973				
Weighted Mean Ratio	1.006				
UNIFORMITY					
Lowest ratio	0.9190				
Highest ratio:	1.0570				
Coefficient of Dispersion	4.39%				
Standard Deviation	0.0555				
Coefficient of Variation	5.63%				
Price-related Differential	0.98				
RELIABILITY					
95% Confidence: Median					
Lower limit	0.919				
Upper limit	1.057				
95% Confidence: Mean					
Lower limit	0.941				
Upper limit	1.029				
SAMPLE SIZE EVALUATION					
N (population size)	187				
B (acceptable error - in decimal)	0.05				
S (estimated from this sample)	0.0555				
Recommended minimum:	5				
Actual sample size:	6				
Conclusion:	OK				
NORMALITY					
Binomial Test					
# ratios below mean:	4				
# ratios above mean:	2				
z:	0.40824829				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Improvement Sales Used for Area 47

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code
047	020	312303	9075	5,660	1946639	\$512,500	03/18/03	\$90.55	THEATER AND PARKING LOT	CBP	2	Y
047	020	322303	9019	5,576	1895572	\$439,000	06/24/02	\$78.73	TAVERN	CBP	1	Y
047	040	012202	9090	3,186	2076283	\$360,000	10/13/04	\$112.99	AT&T ALASCOM	RA10	1	Y
047	050	182203	9221	1,020	1889080	\$1,000,000	05/30/02	\$980.39	QUARTERMASTER HABOUR MARINA	NB	7	Y
047	050	192203	9014	2,104	1892766	\$257,500	06/17/02	\$122.39	ANTIQUE SHOP & APT	O	1	Y
047	050	205120	0170	2,520	1906520	\$312,500	08/22/02	\$124.01	OFFICE	NB	1	Y

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

Although the limited number of sales impacts the meaningfulness of Ratio Study analysis, the assessed values adhere to the standard statistical measures of valuation performance set by the IAAO guidelines.

The total assessed value for the 2004 assessment year for Area 47 was \$95,045,000. The total recommended assessed value for the 2005 assessment year is \$100,729,500. Application of these recommended values for Area 47 in the 2005 assessment year (taxes payable in 2006) result in a total change from the 2004 assessments of 5.98%.

Previous market value parameters indicate little change; with the exception of land values in the Vashon Island CBD; thus, the assessed values remain relatively static for the 2005 revalue with the exception of modifications to maintain uniformity.

Note: More details and information regarding aspects of the valuations and the report are retained in the working files and folios kept in the appropriate district office.